

AGRICULTURAL POLICY SETTING AND ISSUES

Wallace Barr, Emeritus
Extension Economist
Department of Agricultural
Economics and Rural Sociology

FARM MANAGEMENT HANDBOOK

OSU Cooperative Extension Service
The Ohio State University

Major public decisions in the United States will be required in developing a policy to succeed the comprehensive Food and Agriculture Act of 1977 after it expires at the end of 1981. Those decisions will set the future course for the nation's grain reserve program, price and income assistance to farmers, food and nutrition program, structure of agriculture, foreign food assistance, agricultural trade policy and public research and education. Policymakers will make final decisions on these policy questions in late 1981. All indications are that the 1977 Act will be modified in relatively minor ways.

This section will provide some background on the policy situation --- the setting, land, environment and energy, structure of agriculture, foreign trade and consumer involvement in farm and food policy. The section entitled "Commodity, Crop Insurance and Conservation Programs" will discuss the 1977 farm bill and the expected legislative changes to be effective for the 1982 crop, federal crop insurance and the agricultural conservation program.

Public Policy for Many Interests

Farmers, their organizations and agribusinesses have an interest in policies affecting their production, prices, and income. But public agricultural and food policy is not their exclusive domain. It probably never was, but the community of interest is expanding.

The active interest of many citizen groups in food and farm policy can be traced to events associated with the Russian wheat purchases in 1972-73, with the food crises leading up to the World Food Conference in 1974, the use of chemicals in food and in farm production, collective bargaining of hired farm workers, effects of sediment run-off on river water quality, the farm

strike tractorcades of 1978 and 1979, emergence of gasohol, and the attention on problems of small farmers.

ECONOMIC SETTING FOR POLICYMAKING

The 1970's demonstrate that the world food supply and market demand are in a sensitive balance between shortage and abundance. During most of the 1950's, the 1960's and the early 1970's, U.S. agriculture was consistently faced with burdensome government stocks, depressed prices, and acreage diversion programs. Weather caused serious shortfalls in world grain production in 1972 and again in 1974, which resulted in the drawdown of grain stocks and a doubling of grain prices in world markets. Above average world grain output in 1976 and 1977 again led to a buildup of grain reserves. U.S. grain prices dropped to price support levels. The initiation of the farmer-owned grain reserve, use of the set-aside option, and growing export demand all contributed to renewed price strength. The poor 1979 grain crop in the USSR, even in the face of record U.S. crops resulted in continued price strength up to the time of suspension of exports to the Soviet Union. Dry weather in the U.S. during 1980 strengthened grain prices.

U.S. agriculture has become the shock absorber for fluctuations in world grain production. The potential seriousness of this problem can be seen by recognizing that the USSR, People's Republic of China and India account for one-half of the world's population. If these countries had poor weather for crop production during the same year, it could create a crisis in world food supplies and trade.

World population growth, although slowing, continues at nearly two percent annually, with the most rapid growth in less developed countries.

World food production is increasing slightly faster, on the average, at over two percent annually, permitting nations with rising incomes to obtain more food. However, the added production is occurring in developed countries rather than those with the large populations and acute food needs. Trade expansion will be necessary if the gains in production are to be realized by all nations.

Inflation and its impact on farm commodity prices and income adds to the uncertainty of the future. Inflation increases costs of farm inputs. However, farm commodity prices are determined by a different set of supply and demand forces and by agricultural policies.

Food and agricultural policies for the 1980's need to be flexible and responsive to fluctuating world grain supplies, to changes in market demand, and to the problems associated with inflation. Such policies can help stabilize food supplies. However, other public policies, such as commodity price enhancing programs and disaster payment programs have encouraged more intensive use of land.

NATURAL RESOURCES: LAND, ENVIRONMENT AND ENERGY

Our society is placing increasing demands on land, water, energy and the environment. Agricultural and food policy cannot be developed without considering the implications for land, energy and environmental policies. With relative resource scarcity, the development of policies must include consideration of the trade-offs among society's goals for food and all the other uses of our limited resources.

Land and Agriculture

The public is interested not only in current agricultural production from its land and water resources, but also in the preservation of these resources for future generations. Soil erosion has long been recognized as a serious problem. National policies have addressed this problem since the 1930's. The Soil Conservation Service has provided technical service and the Agricultural Stabilization and Conservation Service has encouraged soil conservation practices with cost sharing payments. However, other public policies, such as commodity price enhancing

programs and disaster payment programs have encouraged more intensive use of land.

There are many questions raised by these concerns of the public about the long term conservation of its land and water resources. Should the educational and technical assistance programs for soil conservation be expanded? Should the federal government encourage farmer adoption of conservation practices through special incentives such as, cost sharing, tax breaks on conservation investments and low cost loans for conservation practices to qualify for price and income program benefits? Should the federal and/or state governments enact laws involving conservation regulations and penalties for excess soil loss?

Land Retention, Environment and Agriculture

The public is becoming increasingly concerned about the continued conversion of agricultural land to urban development, highways and other non-farm uses. This conversion of 2.5 to 3.0 million acres annually is reducing this basic resource for food production and may also have environmental effects in local areas.

Policy questions raised by the land conversion issue include: Should federal, state and local government policies be developed to preserve agricultural land for food and fiber production? If so, what type of policies are needed?

Energy and Agriculture

American agriculture production and food processing and distribution are highly dependent on oil and natural gas. Supplies of natural gas and particularly oil are limited and becoming more costly. Domestic use of energy will shift away from oil and gas to other sources including coal, shale oil, solar energy, biomass and perhaps nuclear energy.

Some of the policy issues might include: What impact will the energy shortage have on agriculture? Should mandatory liquid fuel allocation be imposed to prevent shortages during critical farm production periods? To what extent should the government promote and subsidize the use of biomass including high energy crops for a synthetic fuel industry?

FARM STRUCTURE - A GROWING ISSUE

American agriculture is a diverse and changing industry. Looking ahead, agricultural organizations and various other rural and urban groups are expressing concern about the changing structure of agriculture. In particular they are concerned about the future of the "family farm."

"Structure of agriculture" is a comprehensive term. It involves more than just type and size of farm. The dimension may include: number and size of farms, type of farm organization and proprietorship, market arrangements, ownership and control of resources, sources of capital and who makes the management decisions.

Present Structure and Trends

The traditional structure of American agriculture is dominated by the family farm. Our current structure had evolved as a result of economic and technological forces and of past and present policies. With mechanization, technology and competitive forces, farms have become larger and fewer in number, but most are still considered to be family farms.

Family farms, as commonly defined, are those farms that annually use less than 1.5 man-years of hired labor and are not operated by a hired manager. They account for over 90 percent of all farms and about 55 percent of total cash receipts from farming.

The concern is about the trend toward the larger than family farm and industrial type farms. This 7-8 percent of total farm numbers accounts for about 45 percent of total cash receipts from farming. The current trend appears to be toward more "larger-than family-farms," a decline in commercial or full-time "family farms," and a slowly declining number of farms in the 50 - 500 acre range.

Policy Implications

Over the years, Congress has supported various farm commodity programs, credit policies and tax provisions with one of the major expressed purposes being to help the family farmer. However, programs to support prices, reduce risk, provide easily available credit, and provide tax

advantages, have permitted or even encouraged economically aggressive and more efficient farmers to enlarge their farm operations.

Why might the public be concerned about the future structure of agriculture? Family farmers are concerned about their economic survival or that of succeeding generations on the farm. Rural communities are concerned about the loss of farms and families as bases for economic and social support. The general public has an interest in the structure of agriculture as it may affect the cost of production, adequate and stable food supplies, the prices of food and fiber, and the distribution of land ownership and wealth.

The public, by acting through Congress, may influence the structure of agriculture.

U.S. AND WORLD FARM TRADE

The world food situation is part of the environment influencing U.S. agricultural and food policy for 1982 and beyond.

For the world as a whole, food production is increasing at a pace exceeding population growth which permits increasing food consumption per capita. However, the developing countries are showing little gain in food production per capita because of high population growth rates. There are vast differences among countries around the world. Agricultural trade does allow for food supply adjustments among countries.

A third of the U.S. farm production finds its way into world markets of which many have highly restrictive trade policies. It is clear that U.S. agriculture enjoys a competitive advantage, particularly in grains and soybeans products. It is less clear for dairy products, beef products, and some fibers. Current value and quantity of exports have risen generally in the 1970's and into the 1980's. Even though agricultural imports have also increased, the net trade surplus has increased substantially.

Trade is shaped by government policies such as U.S. domestic price supports and import restrictions, and the EEC variable import levy. Such policies are more pronounced abroad where nations are striving for self-sufficiency, protecting new thrusts in production or sheltering powerful internal producer groups. These

conflicts of national policies and world trade patterns highlight the importance of efforts toward trade liberalization. The international GATT negotiations and the recent Tokyo Round are examples of efforts to liberalize trade in U.S. farm and non-farm products.

Foreign Food Aid Policy

Since the post World War I relief efforts, the U.S. has been involved in sharing some of its agricultural products with needy nations, a policy formalized in 1954 with the Agricultural Trade Development and Assistance Act (PL 480). Some \$32 billion worth of agricultural products have been shared with most nations of the world. Currently, most PL 480 shipments are distributed under long-term credit concessional sales. In recent years the total amount has averaged about \$1.5 billion per year, with much less quantity than in earlier years. These policies and level of funding are likely to be continued.

FOOD AND THE CONSUMER

Discussion of farm policy includes food policy. Consumers' concerns about food, in addition to supply and prices, include nutrition, quality, safety, and food assistance for the needy. Over the years, numerous Federal programs and regulations have been developed in response to consumers' concerns.

Inadequate nutrition may be related to factors such as deficient supplies of proper foods, high food prices, low income, lack of information, misinformation, cultural eating habits and other related factors. Good nutrition is especially important to children, pregnant women and the elderly. The Womens, Infants and Childrens feeding (WIC) program is directed at this targeted group.

Political debate continues on public responsibility for human nutrition. Some questions include: What level of responsibility does the public through government have toward the goal of well nourished people? Do consumers receive adequate information on nutrition? Should food labeling provide more nutrition information? What should the government role be toward improving the level of nutrition nationally?

Food Safety and Quality

Our nation often takes for granted an ample food supply; but as Americans become more consumer conscious, more interest has developed in food safety and quality. This interest is further heightened by the increasing use of chemicals in agricultural production and the use of food additives in food processing. In response, the Government has established increasingly rigorous restriction on food producers and processors.

The increasing interest in food quality has brought these issues into focus: Should additives, pesticides, or other production aids be banned or should there be minimum tolerance levels? Do we need more quality standards? How much information should be required in food labeling?

Food Assistance

Food aid for low income families and for school lunch programs continues to receive public support. In 1978, federal cost of USDA food programs was about \$8.0 billion. The major cost is for the food stamp program and the second largest expenditure is for the school lunch program. In 1980, about 21 million people participated in the food stamp program and about 26 million children participated in the National School Lunch Program.

Although there is public support for the concept of food aid, the debate centers on: Who should qualify for food stamps? Should there be a cash purchase requirement? Is the use of food stamps the best method of providing food aid to low income persons? Should the food aid program be integrated with other welfare programs?

COMMENTS

Food and agriculture policies evolve from the political process. They reflect to varying degrees the interests of the U.S. and also our foreign customers.

It is important to recognize the interrelationships among policies. Farm price policies may affect consumers, taxpayers, farm structure, export markets and use of natural resources. Food policies affect consumers, farmers, taxpayers, food processors and others. Energy policies

affect nearly everyone. Any policy may have impacts beyond the initial objective.

The political process for development of food and agriculture policies will be more effective if

the interest groups are well informed on effects of alternative policies and if they recognize how to express their positions in the political arenas.

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